

ARM'S SALE FIGHT DELAYS BANK BILL

Export-Import Lending for Weapons Is Questioned

Special to The New York Times

WASHINGTON, July 17—A controversy within the House Banking and Currency Committee over the financing of Defense Department arms sales by the Export-Import Bank has delayed action on a bill to renew the bank's charter for another five years.

A bill to prolong the life of the bank after its charter expires on June 30, 1968, was to have gone to the Rules Committee tomorrow for movement to the House floor. The bill also raises the amount of loans, export guarantees and insurance the bank can have outstanding from \$9 to \$13.5 billion.

However, Wright Patman, the banking committee chairman, said after closed hearings today on the arms' sales loans that the bill would be delayed a week to 10 days while the committee discussed possible amendments.

The Texas Democrat said he personally did not favor changes in the bill and saw "nothing wrong" with the bank's activity in arms sales.

However, committee sources said some Republican members felt strongly that limitations or closer Congressional supervision should be considered before the bill went to the Rules Committee.

Several committee members were said to be annoyed because they had not been told of the extent of the bank's loans to foreign countries, either directly or through the Defense Department, for the purchase of American armaments.

The question did not arise during committee hearings on the bill last spring.

After press reports on the bank's involvement were published last week, Senator Allen J. Ellender, Democrat of Louisiana, said he would introduce an amendment to restrict the bank's arms loans when the bill reached the Senate.

Subsequently, William B. Widnall, Republican of New Jersey, the ranking minority member on the committee, asked Representative Patman to hold hearings on the issue.

In the day-long executive hearings today, the committee members reportedly were informed that, between mid-1962 and last June 30, the bank supplied at Defense Department request about \$1-billion in loans to foreign countries for the purchase of American arms. A total of \$591-million was lent indirectly through so-called country-X loans.

Under a country-X loan, the bank simply opens a line of credit to the Defense Department, which then makes it available to the country involved for arms purchases. The loans are guaranteed by the Defense Department.

Most of these loans, the committee reportedly was told, were made in the 1966 and 1967 fiscal years. During those two years arms loans totaled about 25 per cent of all the bank's loans and export insurance and guarantees.

Committee sources said some members were disturbed at the extent to which the bank, created as an aid to American commercial exporters and importers, had become involved in the arms business.

The bank president, Harold Linder, Under Secretary of the Treasury Joseph W. Barr, Under Secretary of State Eugene Rostow, Secretary of the Navy John T. McNaughton and Deputy Secretary of Defense Paul H. Nitze testified in the closed session. Mr. McNaughton until recently headed the Pentagon's International Security Affairs Department.